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10 October 1946

MEMORANDUM FOR GENERAL DRAPER

It has come to my attention that at a meeting of editors visiting from the United States, statements were made to the effect that the revival of economy in Germany was made more difficult (a) by denazification and (b) by decartelization, thereby indicating that two major policy objectives of the United States were at least in part responsible for economic conditions in Germany today.

As you know, I have never attempted to restrict anyone's personal views or their expression of these views as personal views. However, in officially presenting OMGUS policy to representatives from the United States, it does not seem quite fair to me to express personal views.

The extent to which denazification has affected the revival of German economy is a matter of opinion. I am still of the view which I held from the beginning that the denazification program has affected the labor groups and lesser employees so favorably as to have a beneficial rather than a harmful effect. I am sure that the failure to have denazified industry would have resulted in a battle between management and labor which would have been disastrous to all of our objectives. I can not agree or accept a conclusion that denazification has had a harmful effect on the German economy.

The same applies equally to decartelization. Actually, our decartelization program has not progressed sufficiently as yet to have any real effect on the German economy, as the physical condition of industry has in itself prevented cartel actions of any magnitude during the past year and a half. I am convinced, however, that the re-creation of small businesses in Germany will do more to revive its economy and to provide a far more satisfied population than in the re-growth of cartels which, in many instances with the government support, were able to dictate their own terms to their customers.

It seems to me that a lukewarm attitude toward decartelization is certain to develop if we begin to preach that decartelization will stifle German economy. As you know, many sincere people believe that the foundation of free enterprise in America rests in small business, particularly where ownership and management are combined to work closely with employees. While I am not attempting to carry a brief for small business against big business in the United States, I am certain that the revival of democracy in Germany is dependent on our ability to develop an economy which is not controlled by a handful of banks and holding companies.

I would appreciate it if you would make this policy fully understood as representing the official view of OMGUS.

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LUCIUS D. CLAY
Lieutenant General, U. S. Army
Deputy Military Governor